Exhibit 4

Comparing Pharmacy Benefit Managers: Moving Well Beyond the Simple Spreadsheet Analysis

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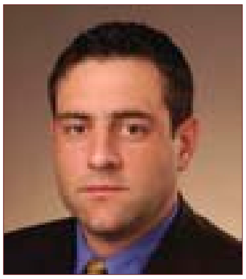

Unabated increases in prescription drug demands, advancing technology, and rising drug inflation rates combined with a sagging economy, continue to intensify budget pressures for payors responsible for delivering pharmacy benefits to plan members. At the same time, high levels of complexity and resource requirements in drug benefit administration have led to a state in which plan sponsors remain heavily dependent on pharmacy benefit managers to assist in these efforts. With pharmacy representing such a critical component of healthcare delivery from clinical and economic perspectives, it is essential that sponsors exercise high levels of due diligence in pharmacy benefit manager review and appraisal to ensure proper balance of quality clinical care, sufficient access, and optimal cost-efficiency in the delivery of such benefits. This review is designed to provide a comprehensive understanding of current pharmacy benefit management business practices and help equip plan sponsors with the knowledge, strategies, and safeguards to drive a well-informed pharmacy benefit selection process and, inevitably, a better-aligned pharmacy benefit management–payor relationship. [*AHDB*.2008;1(5):9-19.]

The annual rate of increase in prescription drug spending has clearly tapered in recent years, and yet the share of prescription drug expenditures paid by public and private health insurers continues to grow.[1] Pressures to effectively manage prescription drug costs remain as high as ever, given the many factors (eg, increasing demand, drug inflation rates, specialty drug development, and aggressive drug marketing) working collaboratively to drive even higher drug spending. It is essential that plan sponsors wishing to partner with a pharmacy benefit management (PBM) organization to gain more adequate control of drug benefit programs exercise extreme vigilance in the selection of such a service provider.

Plan sponsors must strive to gain a thorough understanding of current PBM business practices and how such practices may directly influence the sponsor's ability to optimize clinical outcomes and cost control in drug benefit programming. Sponsors also need to develop sound processes to compare and contrast PBM options, leading to the selection of a vendor whose interests are most clearly well-aligned with their own, and whose business practices substantiate such levels of alignment. It is therefore essential that any comparative assessment of potential PBM partners goes beyond rudimentary spreadsheet comparisons of one PBM's proposed pharmacy discount rates, administrative fees, and/or drug rebate projections versus another's.

This article outlines comparative considerations in PBM assessment and insights into traditional PBM business tactics and their potential impact on a plan's ability to effectively manage quality of patient care and overall drug expenditures. It further describes strategies for plan sponsors to perform a well-informed PBM evaluation process. Careful attention to these issues and implementing these strategies can help in the selection of a well-aligned PBM business partner, better protect

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ness practice, which is also highly scrutinized. The challenges and controversy stemming from branded drug rebates include:

- Similar to the different forms of spread revenue retained by PBMs with network pharmacy discounts, many traditional PBMs will also retain a significant proportion of any rebate dollars generated by a plan's utilization and collected from pharmaceutical manufacturers on a plan's behalf.[9]
- Many PBMs are reluctant to divulge actual rebate agreements between themselves and the pharmaceutical manufacturer and the portion of rebates it retains, deeming such agreements as proprietary in nature. This creates a major dilemma for plan sponsors, because the sponsor then remains largely in the dark in knowing how one drug product in a class compares with another from a net pricing perspective.

  As will be discussed later, a variety of prominent lawsuits have been waged against the major for-profit PBMs over the past decade by plan sponsors alleging the promotion of more expensive drug products as a way of enhancing the PBM's own rebate revenues at the plan sponsor's expense.
- As a means of further retaining rebate earnings from its clients, many PBMs may forego the negotiation of aggressive rebates and alternatively negotiate additional administrative fees into their contracts with drug manufacturers. Such fees can take many shapes and forms and are routinely disguised as incentive fees, data management fees, data-sharing fees, performance fees, rebate management/administration fees, access fees, formulary management fees, professional services fees, health management fees, educational grants/fees, and drug promotional/advertising fees.

  By reclassifying rebates and collecting greater administrative fees from manufacturers, a PBM can then tout the fact that they are passing through a large portion (up to 100%) of the rebate dollars to its clients, but in reality is still retaining major revenues for itself by shifting such dollars out of the rebate bucket and into the administrative fee bucket, of which it retains 100%.

  Administrative fees also create an incentive for PBMs to be less aggressive in negotiating actual rebate discounts off of the price of a drug, so that more of those discount dollars can be shifted into the PBM's fully-retained administrative fees.
- Academic research has reported that major PBMs can retain, on average, 38% to 40% of rebate dollars collected from drug manufacturers, and such revenues can represent a significant, however decreasing, proportion of a PBM's gross annual profits.[10]
- When rebate income and administrative fees tied to branded drugs outweigh revenue from plan sponsors, one must question whose best interests the PBM is truly representing.

Table 3 **Plan Sponsor Strategies: Manufacturer Rebates**

- Require that the PBM disclose all contracts with drug manufacturers yielding any payment to the PBM
- Consider a requirement of full pass-through for all rebate earnings (including administrative fees) driven by plan's specific utilization, with full audit rights to manufacturer contracts, rebate payments, and administrative fees
- Establish performance guarantees related to the invoice timing and as collection of and dispersing of rebate dollars back to the plan
- Demand access to plan-specific net drug cost information (after rebate and network pharmacy discounts) down to the individual national drug code level within all major drug classes
- For specific utilization management and educational programs the PBM may wish to implement in your plan (eg, provider/member education, medication adherence, therapeutic interchange), consider requiring full disclosure of any manufacturer revenue generated by such programs; use policies that require plan-specific sign-off before implementation

PBM indicates pharmacy benefit management.

Such undisclosed earnings raise a number of important questions:

1. Do such branded revenue streams create a disincentive to fully optimize the formulary positioning and maximize utilization of high-value generic drugs in several key drug classes?
2. Do such earnings create further disincentives for the PBM to streamline the number of products within key formulary classes or to employ more rigorous utilization management techniques (eg, step therapy, prior authorization, over-the-counter coverage) proven to yield substantial savings to plan sponsors?
3. Do such earnings compromise the true evidence-based nature of formulary decision-making at the PBM level?
4. Are educational efforts conducted by PBMs truly educational in nature, or simply the end result of a behind-the-scenes, revenue-generating commitment by the PBM to help promote a pharmaceutical company's newest brand-name drug product?
5. An additional revenue source for PBMs is the float on rebate dollars. For every day the PBM delays cred-